

**Township of Dallas
Clinton County, Michigan**

FINANCIAL STATEMENTS

March 31, 2008

Township of Dallas
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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Township of Dallas
Fowler, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dallas Township, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Dallas Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Dallas Township as of March 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information as identified in the Table of Contents is not a required part of the basic financial statements but is supplementary information required accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township has not presented a management's discussion and analysis (MD&A), which would be an analysis of the financial performance for the year. The Government Accounting Standards Board has determined that the MD&A is necessary to supplement, although not required to be a part of the basic financial statements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

August 22, 2008

BASIC FINANCIAL STATEMENTS

Township of Dallas
STATEMENT OF NET ASSETS
March 31, 2008

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 51,411
Investments	170,000
Receivables	6,046
Due from other governmental units	<u>14,666</u>
Total current assets	242,123
Noncurrent assets	
Investments	55,000
Capital assets not being depreciated	50,000
Capital assets, net of accumulated depreciation	<u>316,112</u>
Total noncurrent assets	<u>421,112</u>
TOTAL ASSETS	663,235
LIABILITIES	
Current liabilities	
Accounts payable	1,579
Accrued liabilities	7,631
Due to other governmental units	<u>91</u>
TOTAL LIABILITIES	<u>9,301</u>
NET ASSETS	
Invested in capital assets	366,112
Unrestricted	<u>287,822</u>
TOTAL NET ASSETS	<u><u>\$ 653,934</u></u>

See accompanying notes to financial statements.

Township of Dallas

STATEMENT OF ACTIVITIES

Year Ended March 31, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 98,320	\$ 19,089	\$ -	\$ (79,231)
Public safety	72,261	28,097	-	(44,164)
Public works	84,456	10,152	3,116	(71,188)
Health and welfare	3,205	-	-	(3,205)
Recreation and cultural	3,156	-	-	(3,156)
Community and economic development	895	-	-	(895)
Total governmental activities	<u>\$ 262,293</u>	<u>\$ 57,338</u>	<u>\$ 3,116</u>	(201,839)
General revenues:				
Property taxes				106,848
State shared revenue				81,162
Investment earnings				4,600
Other				<u>6,251</u>
Total general revenues				<u>198,861</u>
				Change in net assets (2,978)
Net assets, beginning of the year				<u>656,912</u>
Net assets, end of the year				<u>\$ 653,934</u>

See accompanying notes to financial statements.

Township of Dallas

GOVERNMENTAL FUND BALANCE SHEET

March 31, 2008

	General	Fire Department	Nonmajor Governmental Fund (Emergency Fire)	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 27,903	\$ 21,011	\$ 2,497	\$ 51,411
Investments	190,000	35,000	-	225,000
Accounts receivable	66	763	-	829
Accrued interest receivable	4,358	859	-	5,217
Due from other funds	90,000	-	-	90,000
Due from other governmental units	14,146	520	-	14,666
TOTAL ASSETS	<u>\$ 326,473</u>	<u>\$ 58,153</u>	<u>\$ 2,497</u>	<u>\$ 387,123</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 856	\$ 723	\$ -	\$ 1,579
Accrued liabilities	-	7,631	-	7,631
Due to other funds	-	90,000	-	90,000
Due to other governmental units	91	-	-	91
TOTAL LIABILITIES	947	98,354	-0-	99,301
FUND BALANCES (DEFICIT)				
Reserved for equipment purchases and training	-	-	2,497	2,497
Unreserved				
Designated for public improvements	60,500	-	-	60,500
Undesignated	265,026	(40,201)	-	224,825
TOTAL FUND BALANCES (DEFICIT)	<u>325,526</u>	<u>(40,201)</u>	<u>2,497</u>	<u>287,822</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 326,473</u>	<u>\$ 58,153</u>	<u>\$ 2,497</u>	<u>\$ 387,123</u>

See accompanying notes to financial statements.

Township of Dallas

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

March 31, 2008

Fund balance - governmental fund	\$ 287,822
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Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental fund.

The cost of capital assets is	\$ 615,653	
Accumulated depreciation is	<u>(249,541)</u>	
Capital assets, net		<u>366,112</u>
Net assets of governmental activities		<u>\$ 653,934</u>

See accompanying notes to financial statements.

Township of Dallas

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2008

	General	Fire Department	Nonmajor Governmental Fund (Emergency Fire)	Total Governmental Funds
REVENUES				
Taxes	\$ 90,886	\$ 32,444	\$ -	\$ 123,330
Intergovernmental - State	84,278	-	-	84,278
Charges for services	12,759	27,365	-	40,124
Interest	5,327	-	5	5,332
Other	305	566	5,380	6,251
TOTAL REVENUES	193,555	60,375	5,385	259,315
EXPENDITURES				
Current				
General government	89,358	-	-	89,358
Public safety	500	46,229	-	46,729
Public works	78,214	-	-	78,214
Health and welfare	2,968	-	-	2,968
Recreation and cultural	2,923	-	-	2,923
Community and economic development	829	-	-	829
Other	17,640	-	-	17,640
Capital outlay	-	165,493	-	165,493
TOTAL EXPENDITURES	192,432	211,722	-0-	404,154
REVENUES OVER (UNDER) EXPENDITURES	1,123	(151,347)	5,385	(144,839)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	5,909	-	5,909
Transfers out	-	-	(5,909)	(5,909)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	5,909	(5,909)	-0-
NET CHANGE IN FUND BALANCES	1,123	(145,438)	(524)	(144,839)
Fund balances, beginning of year	324,403	105,237	3,021	432,661
Fund balances (deficit), end of year	\$ 325,526	\$ (40,201)	\$ 2,497	\$ 287,822

See accompanying notes to financial statements.

Township of Dallas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2008

Net change in fund balance - governmental fund \$ (144,839)

Amounts reported for governmental activities in the statement of activities are different because:

In the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, this amount is:

Capital outlay	\$ 170,175	
Depreciation expense	<u>(28,314)</u>	
Excess capital outlay over depreciation expense		<u>141,861</u>
Change in net assets of governmental activities		<u><u>\$ (2,978)</u></u>

See accompanying notes to financial statements.

Township of Dallas

Fiduciary Fund

STATEMENT OF FIDUCIARY NET ASSETS

March 31, 2008

	<u>Current Tax Collections</u>
ASSETS	
Cash and cash equivalents	<u>\$ 20</u>
LIABILITIES	
Due to individuals and agencies	<u>\$ 20</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Dallas, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Clinton County. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and two trustees and provides services in many areas including fire protection, roads, and planning.

1. Reporting Entity

As required by generally accepted accounting principles; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*; these financial statements present all financial activities of the Township of Dallas. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Township of Dallas contain all the funds controlled by the Township Board.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the Township as a whole.

The statement of activities presents the direct functional expenses of the Township and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services that are restricted to meeting the operational requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest, and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds. Separate financial statements are provided for governmental funds.

The major funds of the Township are:

- a. General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Fire Department Fund - The Fire Department Fund is used to account for the proceeds of the fire department revenue sources that are legally restricted to expenditures of the fire department.

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for fiduciary funds since assets equal liabilities.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The Government-wide financial statements are prepared using the accrual basis of accounting.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

5. Cash, cash equivalents, and investments

Cash and cash equivalents consist of checking and money market accounts. The cash and cash equivalents are recorded at market value.

Investments include certificates of deposit with an original maturity of greater than 90 days from the date of purchase. All investments are stated at market value.

6. Capital Assets

Capital assets include land, buildings and improvements, and equipment. Capital assets are stated at cost (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. All material purchases of assets with an estimated useful life of greater than one (1) year are capitalized. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

Township of Dallas
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Capital Assets - continued

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Equipment	5 - 20 years
Building	40 years

7. Due From Other Governmental Units

Due from other governmental units consists of amounts due from local units of government for property taxes collected that are still owed to the Township.

8. Property Taxes

Dallas Township bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

The property taxes attach as an enforceable lien on property as of December 1. Taxes are levied December 1 and are payable through February 14. All property taxes not paid by February 14 are deemed delinquent. Delinquent real property taxes are turned over to the Clinton County Treasurer on March 1. The Clinton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service and additional amounts for fire department operations. For the year ended March 31, 2008, the Township levied .9802 and .4716 mills per \$1,000 of assessed valuation for general governmental services and fire department operations, respectively. The total taxable value for the 2007 levy for property within the Township was \$69,016,004.

9. Budgets and Budgetary Accounting

The General Fund and Fire Department Fund budgets shown as required supplementary information to the financial statements were prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the budget is legally adopted on a departmental (activity) level through passage of a Board resolution. After the budget is adopted, all transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year. There were no amendments to the originally adopted budget.

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Township of Dallas is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

The Township's cash and investments at March 31, 2008, are composed of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash and cash equivalents		
Checking, savings, and money market accounts	\$ 13,431	\$ 16,515
Investments		
Certificates of deposit	<u>263,000</u>	<u>263,000</u>
	<u>\$ 276,431</u>	<u>\$ 279,515</u>

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Deposits of the Township are at federally insured banks located in the State of Michigan, with all accounts maintained in the name of the Township. As of March 31, 2008, the Township accounts were insured by the FDIC for \$239,017, and the amount of \$40,498 was uninsured and uncollateralized.

Due to significantly higher cash flows at certain periods during the year, the amount the Township held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year-end.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2008, the Township did not have any investments that would be subject to rating.

Interest rate risk

The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio in a manner to attain a market rate of return throughout the budgetary and economic cycles while preserving and protecting capital.

Concentration of credit risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio to prevent over concentration of assets in a specific maturity, individual financial institution, or specific class of securities.

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables related to the primary government at March 31, 2008:

Due to General Fund from:	
Fire Department Fund	<u>\$ 90,000</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE D: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfer to Fire Department Fund from:	
Nonmajor governmental fund	<u>\$ 5,909</u>

Township of Dallas

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2008, was as follows:

	Balance April 1, 2007	Additions	Deletions	Balance March 31, 2008
Capital assets not being depreciated				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Capital assets being depreciated				
Building	21,673	-	-	21,673
Equipment	<u>373,805</u>	<u>170,175</u>	<u>-</u>	<u>543,890</u>
Subtotal	395,478	170,175	-0-	565,653
Less accumulated depreciation for:				
Building	(18,774)	(76)	-	(18,850)
Equipment	<u>(202,453)</u>	<u>(28,238)</u>	<u>-</u>	<u>(230,691)</u>
Total accumulated depreciation	<u>(221,227)</u>	<u>(28,314)</u>	<u>-0-</u>	<u>(249,541)</u>
Net capital assets being depreciated	<u>174,251</u>	<u>(141,861)</u>	<u>-0-</u>	<u>316,112</u>
Total net capital assets	<u>\$ 224,251</u>	<u>\$(141,861)</u>	<u>\$ -0-</u>	<u>\$ 366,112</u>

Depreciation expense was charged to the following governmental activities.

General government	\$ 1,830
Public safety	<u>26,484</u>
Total depreciation expense	<u>\$ 28,314</u>

NOTE F: RISK MANAGEMENT

The Township is exposed to various risks of loss for supplemental fire equipment claims for which the Township carries commercial insurance.

The Township participates in a pool, the Michigan Township Participating Plan, with other municipalities for various risks of loss including liability, wrongful acts, auto, crime and property and boiler losses. The pool is organized under Public Act 138 of 1982, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

The Township also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

Township of Dallas
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE G: FUND BALANCE RESERVES AND DESIGNATIONS

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance indicates that portion of the fund balance which the Township has set aside for specific purposes.

The following is the fund balance reserves as of March 31, 2008:

Special Revenue Funds	
Emergency Fire	
Reserved for equipment purchases and training	<u>\$ 2,497</u>

The following is the fund balance designation as of March 31, 2008:

General Fund	
Designated for public improvements	<u>\$ 60,500</u>

NOTE H: FUND DEFICIT

The following fund had a fund equity deficit at March 31, 2008:

	<u>Deficit</u>
PRIMARY GOVERNMENT	
Special Revenue Fund	
Fire Department	<u>\$ 40,201</u>

NOTE I: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated.

The approved budgets of the Township have been adopted at the activity level. In the required supplementary information to the financial statements, the Township's budgeted expenditures in the General Fund have been shown at the activity level.

During the year ended March 31, 2008, the Township incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Other			
Recycle fee	\$ 10,200	\$ 10,260	\$ 60

REQUIRED SUPPLEMENTARY INFORMATION

Township of Dallas

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes and fees				
Property taxes	\$ 70,910	\$ 70,910	\$ 74,404	\$ 3,494
Administration Fees	16,130	16,130	16,482	352
Total taxes	87,040	87,040	90,886	3,846
Intergovernmental - State				
State revenue sharing	80,000	80,000	81,162	1,162
Metro act	3,150	3,150	3,116	(34)
Total intergovernmental - State	83,150	83,150	84,278	1,128
Charges for services	12,310	12,310	12,759	449
Interest	5,000	5,000	5,327	327
Other	-	-	305	305
TOTAL REVENUES	187,500	187,500	193,555	6,055
EXPENDITURES				
General government				
Township board	7,150	7,150	5,677	1,473
Attorney and legal	1,000	1,000	74	926
Supervisor	16,325	16,325	16,125	200
Assessor	16,910	16,910	15,522	1,388
Clerk	24,395	24,395	21,582	2,813
Board of review	1,330	1,330	888	442
Treasurer	20,615	20,615	19,745	870
Elections	3,300	3,300	2,110	1,190
Township hall	9,900	9,900	6,460	3,440
Other	1,200	1,200	1,175	25
Total general government	102,125	102,125	89,358	12,767
Public safety	500	500	500	-0-
Public works				
Highways and streets	66,850	71,104	71,044	60
Drains	6,200	7,170	7,170	-0-
Total public works	73,050	78,274	78,214	60

Township of Dallas

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended March 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Health and welfare	\$ 2,968	\$ 2,968	\$ 2,968	\$ -0-
Recreation and cultural	3,073	3,073	2,923	150
Community and economic development	1,490	1,490	829	661
Other				
Employee benefits				
Pension	7,850	6,772	6,672	100
FICA and workmen's comp	600	708	708	-0-
Recycle fee	10,200	10,200	10,260	(60)
Total other	18,650	17,680	17,640	40
TOTAL EXPENDITURES	201,856	206,110	192,432	13,678
NET CHANGE IN FUND BALANCE	(14,356)	(18,610)	1,123	19,733
Fund balance, beginning of year	324,403	324,403	324,403	-0-
Fund balance, end of year	<u>\$ 310,047</u>	<u>\$ 305,793</u>	<u>\$ 325,526</u>	<u>\$ 19,733</u>

Township of Dallas

Fire Department Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current tax levy	\$ 31,820	\$ 31,820	\$ 32,444	\$ 624
Charges for services				
Fire and rescue runs and stand-by	36,800	36,800	27,365	(9,435)
Interest	200	200	-	(200)
Other	970	970	566	(404)
TOTAL REVENUES	69,790	69,790	60,375	(9,415)
EXPENDITURES				
Current				
Public safety	59,950	60,267	46,229	14,038
Capital outlay	168,000	171,402	165,493	5,909
TOTAL EXPENDITURES	227,950	231,669	211,722	19,947
REVENUES (UNDER) EXPENDITURES	(158,160)	(161,879)	(151,347)	(29,362)
OTHER FINANCING SOURCES				
Transfers in	161,000	161,000	5,909	155,091
NET CHANGE IN FUND BALANCE	2,840	(879)	(145,438)	125,729
Fund balance, beginning of year	105,237	105,237	105,237	-0-
Fund balance (deficit), end of year	\$ 108,077	\$ 104,358	\$ (40,201)	\$ 125,729

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS**

To the Members of the Township Board
Dallas Township
Fowler, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dallas Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated August 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Dallas Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

WRITTEN PROCEDURES AND POLICIES

Based on our discussions with management, we noted that the Township has not formally adopted written procedures and policies for areas of operation that directly or indirectly affect financial reporting. Documenting specific policies and procedures allows employees to have a clearer understanding of management's expectations. It also allows management to have greater oversight over those areas over which they are responsible.

Specifically, we recommend that the Township develop, formally adopt, and implement written procedures and policies affecting the financial reporting process in the following areas:

- a. Fraud risk management program - We recommend the Township adopt a formal fraud risk management program. The program should include policies and procedures on ways for management to prevent, detect and deter fraudulent activities.

WRITTEN PROCEDURES AND POLICIES - CONTINUED

- b. Conflict of interest policy - A conflict of interest policy will clarify the Township's position on ethical behavior and communicate that position to employees and board members. We recommend the Township develop and implement a policy addressing conflict of interest and include it in the policy manual and periodically require a declaration of compliance from employees and board members. The Township should also obtain conflict of interest disclosure statements from its employees and board members.
- c. Business continuity plan - A business continuity plan would clarify Township's position if an interruption of critical business processes were to occur. We recommend the Township develop and implement a policy addressing business continuity and include it in the policy manual.

PREPARATION OF FINANCIAL STATEMENTS

Statement on Auditing Standards No. 112 titled *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate when a client requires assistance in the preparation of financial statements and the related footnotes that are required in accordance with accounting principles generally accepted in the United States of America. Throughout the year the Township prepares monthly financial reporting at the fund level.

The staff at the Dallas Township understands substantially all of the information included in the financial statements, and as such are able to take responsibility for the content. However, the presentation of financial statements in accordance with generally accepted accounting principles also includes the preparation of government-wide financial statements and note disclosures. Currently the government-wide financial statements and note disclosures are prepared during the audit process.

We are communicating these circumstances as required by professional standards, and do not see a need for any change in the situation at this time.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness:

MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Material journal entries were proposed by the auditors. These misstatements were not detected by the Township's internal control over financial reporting. Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (when applicable), including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls.

Material journal entries for the adjustment of accounts receivable, accrued interest receivable, taxes receivable, accounts payable, accrued liabilities and accumulated depreciation were proposed by the auditors. These misstatements were not detected by the Township's internal control over financial reporting.

Through the identification of material journal entries that were not otherwise identified by management, the auditors are effectively part of the Township's internal controls.

We recommend that the Township take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance:

BUDGETS

As noted in the financial statements, one (1) of the activities of the Township exceeded the amounts appropriated. The variances noted were in the General Fund.

Michigan Public Act 621 of 1978, as amended, provides that the Township adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures. The Act also prohibits the Township from appropriating more funds for expenditure than is available through current revenue sources and any accrued surplus or deficit from previous years.

We recommend the Township monitor expenditures against adopted budgets and make appropriate budget amendments as needed.

FUND DEFICITS

During the course of our audit, it was noted that the Township had a fund that ended the year in a deficit financial position. Michigan Public Act 275 of 1980 provides that a governmental entity shall not have deficits in one or more of the unreserved fund balances.

Budgetary controls to limit expenditures and/or transfers were not made to alleviate deficits in these funds. The Township will be required to submit a deficit reduction plan to the State of Michigan for any funds having a deficit.

We recommend that the Township file a corrective action plan with the State of Michigan.

BANK RECONCILIATIONS

During our analysis of the bank reconciliations, it was noted that the reconciliation of bank statements is completed as the date the bank statement is received or subsequent to that date instead of as of month end. The date of reconciliation is important for producing an accurate cash figure for month, quarter, or year end.

We recommend that the Township reconcile all bank accounts as of the month end on a monthly basis.

This report is intended solely for the information and use of management and Members of the Township Board of Dallas Township, others within the government, and applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

August 22, 2008